



Independent Accountant's Report On Compliance

To the Board of Directors of Verizon Communications Inc. and
Federal Communications Commission:

1. We have examined Verizon Communications Inc.'s ("Verizon") compliance with the requirements¹ of Paragraph 72 ("Service Quality Genuity Conditions") of the Federal Communications Commission's ("FCC") Memorandum Opinion and Order in Common Carrier Docket No. 98-184² approving the Bell Atlantic/GTE Merger ("Merger Order"), for the year ended December 31, 2001, and management's assertion, included in the accompanying Report of Management on Compliance with the Service Quality Genuity Conditions Set Forth in FCC Order Approving the Bell Atlantic/GTE Merger ("Report of Management"), that Verizon complied with the Service Quality Genuity Conditions, for the year ended December 31, 2001³. The management of Verizon is responsible for their compliance with specified requirements of the Service Quality Genuity Conditions. Our responsibility is to express an opinion based on our examination.
2. Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Verizon's compliance with the Service Quality Genuity Conditions and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Verizon's compliance with specified requirements.

¹ *The requirements set forth in the Merger Order regarding the Service Quality Genuity Conditions are as follows: (a) Verizon shall report, on a disaggregated, company-specific basis, certain of the service quality data described in Table I of the ARMIS Report NO.43-05 to show the service levels Verizon (and its separate advanced services affiliate) provides to Genuity, Inc. ("Genuity") as compared to other companies purchasing its high-speed and regular special access services. Specifically, Verizon shall report, and made available to the independent auditor and FCC, performance data for the following measurements for these services on monthly basis: the percent of commitments met; the average interval (in days); the average delay days due to lack of facilities; the average interval to repair service (in hours); and, the trouble report rate (the "Service Quality Reports"); (b) any attempt of Verizon to discriminate by favoring Genuity in the provision of high-speed access and regular special access services will be readily detectable in the Service Quality Reports by the independent auditor and the FCC.*

² *Application of GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, for Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License, CC Docket No. 98-184, Memorandum Opinion and Order, 15 FCC Rcd 14032, 14143 (2000).*

³ *Verizon's compliance with the Service Quality Genuity Conditions was not addressed in our examination report dated May 31, 2002 as a result of a letter from the Deputy Chief, Investigations and Hearings Division, Enforcement Bureau of the FCC staff dated May 29, 2002 (the "FCC May 29th Letter") to the Senior Vice President, Regulatory Compliance of Verizon which postponed our reporting of the Service Quality Genuity Conditions to October 1, 2002.*

3. As noted in the accompanying Report of Management, Verizon provided the Service Quality Reports to the FCC and Mitchell & Titus, LLP (“M&T”) to assist in the assessment of whether Verizon discriminated in favor of Genuity in the provision of high-speed special access and regular special access services; however, Verizon did not provide an assertion as to whether they have discriminated in favor of Genuity, because, in management’s opinion, no such assertion is required by the Merger Order. The Merger Order, in management’s opinion, requires Verizon to comply with the requirements of Service Quality Genuity Conditions by providing the Service Quality Reports. We found no objective criteria in the Merger Order sufficient to permit us to form an opinion on whether Verizon discriminated in the provision of high-speed and regular special access services to Genuity than other unaffiliated carriers. Due to the absence of such criteria, we are unable to express an opinion on whether Verizon discriminated in favor of Genuity in the provision of high-speed access and regular special access services.
4. Pursuant to the FCC May 29th Letter, M&T should use Section 202(a) of the Telecommunications Act of 1996 (“Act”) as guidance to evaluate special access discrimination. According to the FCC, evaluating discrimination under Section 202(a) of the Act is a “three-prong” process: (i) determining which services are “like” services; (ii) determining whether there are service quality differences for like services; and (iii) determining whether those differences are unjust or unreasonable. The FCC May 29th Letter was modified by the FCC June 12th Letter⁴, which required M&T to perform only the first “two-prongs” of Section 202(a) of the Act because, according to the FCC staff, Paragraph 72 of the Merger Order only requires the auditor to determine whether Verizon’s special access service quality to Genuity was better, as defined in the Appendix, than other unaffiliated carriers, and not to determine whether discrimination is “unjust or unreasonable”. As fully described in the Appendix, M&T performed the first two-prongs, as instructed by the FCC, using a statistical approach to identify statistically significant instances where Verizon provided better service to Genuity. Based on the results of these procedures, we disclosed in Section III of the Appendix instances where Genuity received statistically significant better service than other unaffiliated carriers. The Appendix was included with this examination report so that the FCC may evaluate Verizon’s compliance with the Merger Order.
5. In our opinion, except for the lack of criteria to determine discrimination described in Paragraph 3 where we render no opinion and the FCC’s evaluation whether instances of statistically significant better service provided to Genuity by Verizon described in Paragraph 4 represent material noncompliance with the Service Quality Genuity Conditions, Verizon complied, in all material respects, with the Service Quality Genuity Conditions for the year ended December 31, 2001. This report does not affect our examination report dated May 31, 2002 on Verizon’s compliance with the Genuity Conditions.

⁴ Letter from the Deputy Chief, Investigations and Hearings Division, Enforcement Bureau of the FCC staff, dated June 12, 2002, to the Senior Vice President, Regulatory Compliance of Verizon (“FCC June 12th Letter”).

6. This report is intended solely for the information and use of the Board of Directors of Verizon and the FCC and is not intended and should not be used by anyone other than these specified parties. Since this report is a matter of public record, its distribution is not limited.

Mitchell & Titus, LLP

New York, New York
September 30, 2002